

MEMORANDUM

TO: Claire Powell, City Manager

FROM: Ashley Carlisle, Budget Manager

DATE: June 1, 2026

SUBJECT: Consideration of FY 2026 Mid-Year Supplemental Appropriations to the Water and Sewer Fund in the Amount of \$426,418 and the Maintenance and Replacement Fund in the Amount of \$2,830,000.

BACKGROUND

As part of the mid-year budget process, both revenue and expense accounts are reviewed for all operating funds. A presentation will be provided during the June 1, 2026, City Council meeting that outlines the financial trends the City has seen through the first half of the fiscal year. The analysis also provides a determination of any adjustments that may be needed for the remainder of FY 2026.

ANALYSIS

Since the adoption of the FY 2026 budget in September 2025, the following have occurred:

- FY 2025 actual amounts have been audited and finalized.
- Six months of FY 2026 revenue and expenditure activity have occurred.
- Supplemental appropriations have been determined.

Detailed below is a list of supplemental appropriations being requested for FY 2026:

Water and Sewer Fund: \$426,418

- \$426,418 is needed for a debt reserve transfer payment. This funding is used to record a portion of debt reflecting 1/60th of average annual debt service to be placed in reserve in accordance with specified bond covenants. Since last year's debt issuance occurred after the development of the FY 2026 budget, a supplemental appropriation is needed to align this reserve transfer with the City's updated debt schedule.

Maintenance and Replacement Fund: \$2,830,000

- Part of the supplemental appropriation for the Maintenance and Replacement Fund is for Engine 1 and Engine 3. The order for these new engines was placed in 2022. The manufacturing timeline of these engines takes years and timing the delivery of the engines can be difficult. These two engines will be delivered in summer 2026 and will cost

approximately \$1.9M. The Fire Department has contributed internal lease payments in the form of transfers to the Maintenance and Replacement Fund for these two engines each year. This funding is available in reserves and just needs to be appropriated by City Council in order to make the payment.

- Another part of this supplemental is \$729,000 for the purchase of two modular ambulance bodies and associated equipment. A residual impact of the COVID-19 pandemic resulted in having to purchase ambulance chassis from a separate vendor than the main bodies of the ambulances. The chassis have been ordered already but the ambulance bodies have not, so this portion of the supplemental will allow for the purchase of the remainder of the ambulances this fiscal year. Fleet staff have since returned to pre-COVID procedures where the entire ambulance is now ordered at the same time, so this split-purchase scenario will not occur in the future.
- The last component of this supplemental is \$200,000 for fleet parts. The overall budgetary need for parts for the City's fleet continues to rise 17% on average since 2022. Recent tariffs have impacted the price of parts as well. While the budget for parts has increased each year, the cost of parts has continued to outpace that budget and occasionally requires a supplemental appropriation. Funds are available in reserves.

CITY STAFF'S RECOMMENDATION

That the City Council approve the supplemental appropriations as set forth in the caption above.